

Crime Awareness Newsletter

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Courtesy of the
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Office of the Inspector General
Defense Criminal Investigative Service
Central Field Office



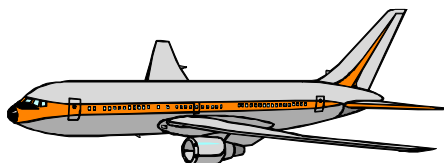
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Indictments

Product Substitution

A 17-count indictment was returned against Anthony St. George, George Allen and Jesse Barrington of St. George Aviation, Incorporated, Sanford, FL, charging them with conspiracy and submitting false statements on Federal Aviation Administration (FAA) certifications. St. George, designated mechanical examiner for St. George Aviation, allegedly failed to properly administer FAA tests on hundreds of mechanics, including Department of Defense (DoD) personnel. The oral and practical tests were administered between 1996 and 1998 and

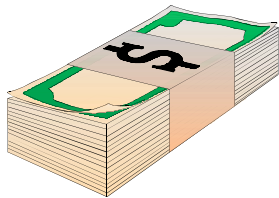
consist of airframe and power plant (A&P) certifications. The FAA approved St. George to administer A&P testing. Each test cost approximately \$850. St. George, Allen and Barrington allegedly helped mechanics with answers to the A&P tests, failed to give segments of the tests, issued certifications when no testing was conducted and certified A&P tests were taken on days the office was closed. It is believed that some DoD employees conspired with St. George to certify they completed the entire A&P test, when, in fact, they did not. The DoD employees came from as far as Hawaii to take the test at the St. George Aviation facility in Florida. The Fort Lauderdale Post of Duty (POD) is conducting the investigation with the Office of Inspector General (OIG), Department of Transportation (DoT).



Theft

A 57-count indictment returned against Robert Davis was unsealed. Davis, chief mechanic for the Suffolk County Sheriff's Department (SCSD), Riverhead, NY, who had worked for the department over 20 years, was charged with various counts of grand larceny, conspiracy, falsifying business records and defrauding the Government. Davis' alleged schemes included submitting false vouchers for auto parts and for services that were never performed. He also used the DoD Law Enforcement Support Operation (LESO) program, formerly Project Northstar, to obtain surplus military property that he allegedly converted to his personal use. The LESO enables the transfer of surplus military property to state and local law enforcement agencies to assist in drug interdiction activities. Davis obtained a large quantity of surplus property supposedly for his department. Those items included generators, chemical suits, a stencil machine and an eye wash kit, which Davis allegedly used or sold to others. The participation in the program by the SCSD ended in 1996. However, Davis attempted to reinstate the SCSD in the program by al-

legedly submitting false documents claiming to be the Chief Executive Officer and Chief of Operations of the SCSD. The New York Resident Agency (RA) is conducting the investigation with the Suffolk County District Attorney's Office.



Kickbacks

Dr. Francisco R. Carbone, former director of internal medicine, Bridgeport Community Health Center, Bridgeport, CT, pled guilty to one count of soliciting and receiving kickbacks in connection with the disbursement of Medicaid funds, and one count of filing a false Federal tax return for calendar year 1995. Carbone received approximately \$78,130 in kickbacks for referrals of patients to R&R Surgical Supplies, a durable medical equipment company located near the Bridgeport Community Health Center. These activities were uncovered as a result of "Operation Overdraw," a 3-year undercover operation. Overdraw established an undercover medical business that dealt with dozens of health care related companies in Connecticut, New York and New Jersey suspected of engaging in fraudulent activities associated with Medicare, Medicaid, private insurance companies and

TRICARE, formerly the Civilian Health and Medical Program of the Uniformed Services. The Hartford RA conducted the investigation with the Federal Bureau of Investigation (FBI), the Internal Revenue Service (IRS), the Health and Human Services (HHS) and the U.S. Postal Inspection Service in conjunction with the Connecticut Health Care Fraud Task Force.

Theft of Funds

Brenda Jackson pled guilty to theft of Government funds. From September 15, 1997 through March 30, 1998, Jackson was employed as the business officer of Oak Ridge Associated Universities (ORAU), Oak Ridge, TN, a Department of Energy (DOE) prime contractor. The ORAU, a private, nonprofit corporation, administers research participation and fellowship programs for the DOE and other Federal agencies, including the DoD. In 1997, ORAU managed \$27.5 million of directly billed DoD funds. As part of her duties, Jackson routinely ordered items from various suppliers, including Damark International (Damark), Minneapolis, MN. Jackson misused the Government IMPAC Visa credit card by purchasing various items from Damark, valued at \$7,295, which she converted to her own use. When attempting to conceal the thefts, Jackson falsified Damark invoices and IMPAC Visa card purchases. The

fraudulent billings were included in the overhead costs, 45 percent of which the DoD paid. Jackson has already agreed to pay restitution of \$7,295. Sentencing is scheduled for May 1999. The Southeast Field Office (FO) conducted the investigation with the DOE.



Arms Control

Fadi Boutros, also known as Fadi Sitto and Fadi Jirjis, LaMesa, CA, pled guilty to violating the Arms Control Export Act and the International Emergency Powers Act. Boutros, an Iraqi national, arranged for the purchase and export to the country of Jordan of five pairs of Generation II night vision goggles used by helicopter pilots. It was learned the final destination for the goggles was Iraq. Boutros also arranged for a future purchase of 20 pairs of Generation III night vision goggles, also destined for Iraq. The Generation II and III goggles are state of the art technology and are a restricted commodity that requires licensing prior to export. The goggles are embargoed items and not for export to Jordan and Iraq. The Hartford RA conducted the investigation with the U.S. Customs Service.



Health Care Fraud

Mark Hoffman, M.D., and Jayne Hoffman, his spouse, each pled guilty to making false statements and misrepresentations in the application for payment under the State of Georgia Medicaid and Medicare programs. The Hoffmans ran an orthopedic clinic, the Rockdale Orthopedic Center, Conyers, GA, from 1990 to 1998. Dr. Hoffman was the orthopedic surgeon on staff and his wife assisted him as a nurse and as the office manager. Jayne Hoffman was responsible for submitting the medical bills to the various carriers. The Hoffmans repeatedly submitted claims for services not provided, upcoded procedure codes, unbundled procedure codes, duplicated billings, and submitted false claims to Blue Cross/ Blue Shield and Cahaba GBA for payment by Medicare, Medicaid and TRICARE, as well as other programs. Patients of the clinic would frequently be seen by Jayne Hoffman, an orthopedic technician, then the submitted claim would falsely indicate Dr. Hoffman performed the visit. Audit findings indicate the Hoffmans' overbilled the Government and other providers by approximately

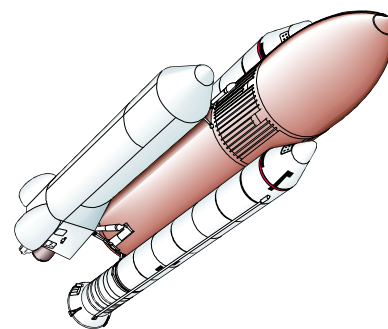
29 percent and in excess of \$739,000. The Southeast FO conducted the investigation with the FBI.



Product Substitution

Gene Fitch, vice president and general manager, West Coast Aluminum Heat Treating Company (West Coast), La Mirada, CA, pled guilty to one count of conspiring to make false statements, two counts of making false statements to the DoD and one count of obstruction of justice. In a related case, West Coast, and June Fitch, mother of Gene Fitch and president of West Coast, were found guilty of conspiracy to make false statements and six counts of making false statements to the DoD. From 1981 to at least March 1997, West Coast improperly heat-treated and falsified quality testing on parts used in various DoD programs. Those programs included the U.S. Navy Phalanx, close-in air and missile defense system, the F/A-18 jet and P-3 aircraft; the U.S. Marine Corps AH-1 Cobra attack helicopter; the U.S. Army OH-58D Kiowa Warrior and Apache attack helicopters; the Air Force Titan IV Launch

Vehicle, C-9, C-17, KC-10, F-15, F-16, F-22 and AWACS aircraft; the multiservice UH-1 Huey and V-22 helicopters; the NASA Space shuttle and its Space Station, and numerous commercial aircraft and helicopters. The heat treating process--a critical process--changes the properties of metal to attain specified strength and corrosion resistance. The hardness and conductivity tests verify that the metals attained the required condition and were heat treated properly. Many of the parts processed by West Coast were flight safety components and a failure could cause a catastrophic failure of the aircraft. The Western FO conducted the investigation with the National Aeronautics and Space Administration (NASA), the DoT and the Defense Logistics Agency (DLA).



Theft

Jet Reclamation, Incorporated (Jet), John William Riddle, president of Jet, and Farrell Herbert Sutton, chief financial officer, Jet, each pled guilty to conspiring to knowingly receive stolen property of the United States and transport stolen goods in in-

terstate commerce. Between September 1995 and June 1998, Riddle and Sutton engaged in a scheme to steal aircraft parts, including T-57 engine parts, from the Defense Reutilization and Marketing Office (DRMO) and the DLA, located at Kelly Air Force Base, San Antonio, TX. As part of the scheme, DRMO and DLA employees either assisted in stealing the parts by "looking the other way" or stealing the equipment from the Government warehouses and storage lots where new, surplus and used items were housed. The parts were then sold for profit to surplus aircraft parts dealers that included Riddle and Sutton. Riddle and Sutton paid cooperating DRMO and DLA employees far less than the fair market value price for the stolen parts and then profited by reselling the stolen parts to other companies. The DLA and DRMO employees have already been sentenced for their part in the scheme. The San Antonio POD conducted the investigation with other task force members from the FBI, the IRS, the U.S. Customs Service, the Air Force Office of Special Investigations (AFOSI), the DLA and the San Antonio Police Department.

Sentences

Health Care Fraud

David Shea, former president and chief executive officer of Aeromedical Services

International, Incorporated (ASI), was sentenced in U.S. District Court, Las Vegas, NV, to 10 months incarceration (5 months to be served at a halfway house and 5 months home detention), 3 years supervised probation, \$116,658 in restitution, and \$165,342 in fines and civil penalties. Also, as part of a settlement agreement, Shea and ASI are debarred from Government contracting for 15 years. Shea previously pled guilty to mail fraud. Shea was also subject to a civil complaint filed on October 2, 1998, charging violations of the Federal False Claims Act. An investigation disclosed ASI misrepresented in its billings to Medicare and TRICARE the actual number of patient loaded miles flown. The Salt Lake City RA conducted the investigation with the FBI.

Kickbacks

Gennady Shakhnovich, president, General Health Care Supplies, Incorporated (General Health Care), Howard Beach, NY, was sentenced to 5 years probation and ordered to pay a \$200 special assessment. Shakhnovich previously pled guilty to violating the Health Care Anti-Kickback Statute and impeding the IRS. Between November 1996 and April 1997, Shakhnovich made cash kickback payments to a FBI undercover agent posing as the manager and owner of a Connecticut medical center. Shakhnovich paid the money in return for

orders of durable medical equipment from the medical center. The cash kickback payments were made so the medical center would not have to declare the monies on income tax returns. The Hartford RA conducted the investigation with the FBI, the IRS, the HHS and the U.S. Postal Inspection Service in conjunction with the Connecticut Health Care Fraud Task Force.

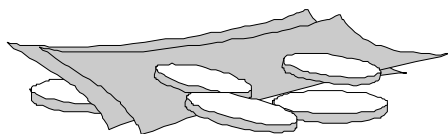
Kickbacks

Robert Berger, former president of Royce Aerospace Materials Corporation (Royce), Farmingdale, NY, was sentenced to 18 months incarceration (to run concurrently with his previous sentence of 38 months incarceration), payment of a \$20,000 fine and a \$100 special assessment fee. Berger previously pled guilty to conspiring to make kickback payments. Berger was already serving a 38-month Federal sentence for conspiracy to make kickback payments, commit bankruptcy fraud and defraud the IRS. In June 1997, Berger started two new companies, Aero Specialties Supply Corporation and Aero Specialties Material Corporation (Aero), Deer Park, NY, with Thomas Smith. Similar to Royce, Aero also sold raw materials such as aluminum and titanium to DoD prime and subcontractors. As part of their arrangement, Berger was paid a percentage of the profits of the companies in exchange for his assistance

in obtaining business. Berger conspired with Smith to provide cash kickbacks to their customers. In return, Smith and Berger were provided the bid information they needed to be awarded the contracts Aero was bidding on. Many of the purchasing agents that were paid kickbacks by Smith and Berger were the same individuals Berger had made payments to as the president of Royce. The New York RA conducted the investigation jointly with the IRS.

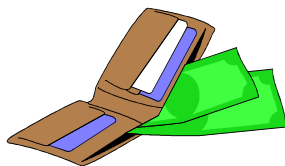
Tax Evasion

Janice Lambertson, Holbrook, NY, was sentenced to 4 months home detention, 2 years probation and ordered to pay a \$50 special assessment fee. Lambertson previously pled guilty to tax evasion. Lambertson, former independent salesperson for Royce, Farmingdale, NY, illegally made kickback payments to her customers at the direction of her supervisor, Robert Berger. In 1994, Lambertson left Royce and became an independent salesperson for Yarde Metals, Bristol, CT. From 1994 to the present, Lambertson continued her cash kickback arrangement with her customers. Lambertson underreported her commission income and filed false tax returns. The New York RA conducted the investigation jointly with the IRS.



Bank Fraud

Ricky M. Cooper was sentenced in U.S. District Court, Columbus, OH, to 18 months in prison, 3 years supervised release and ordered to pay restitution of \$176,915 and a \$100 special assessment. Cooper previously pled guilty to conspiring to commit bank fraud. Cooper received five stolen U.S. Treasury checks, valued in excess of \$311,000, from Mocheet Q. Smith, a cash clerk at the DFAS, Columbus, OH. While employed by DFAS, Smith had stolen the checks before they could be mailed to the intended DoD contractors. Cooper and others then arranged for the opening of fraudulent business accounts at several banks in Ohio and New Jersey. The stolen checks were deposited into those accounts and attempts were made to withdraw the proceeds, using false identification documents. In total, over \$185,500 was obtained by Cooper and others from this fraud scheme. The Columbus RA conducted the investigation with the U.S. Secret Service.



Kickbacks

Michael F. McCusker, procurement supervisor for Lockheed Martin Services Company, Incorporated (Lockheed), Cape Canaveral, FL, was sentenced to 6

months home detention, 2 years probation, ordered to pay a \$3,000 fine, a special assessment of \$100 and restitution in the amount of \$40,121 to the NASA OIG. McCusker had authority to solicit bid information from companies and award Lockheed purchase orders and/or subcontracts. In so doing, he solicited and accepted kickbacks from subcontractors. In return, he directed and awarded NASA subcontracts to those that paid him kickbacks. The Orlando RA conducted the investigation with the IRS and the NASA OIG.

Civil Settlements

Overcharging

Trees of Hawaii, Incorporated (TOH), entered into a civil settlement with the USAO, District of Hawaii, for violations of the Civil False Claims Act. The TOH will pay \$280,000 to settle allegations of false claim submissions to the U.S. Army. From January 1997 through June 1998, TOH provided tree pruning and removal services for U.S. Army installations on the Island of Oahu, HI. An investigation determined TOH submitted claims that falsely overstated the sizes of the trees pruned or removed, which resulted in overpayments of approximately \$184,000 to TOH for the services rendered. The Hawaii POD conducted the investigation with the FBI and the U.S. Army Criminal Investigation Command.



To report suspected criminal activity involving the Department of Defense please contact the nearest Defense Criminal Investigative Service office.

Phoenix, AZ
Comm: (602) 277-7253/4
Telefax: (602) 277-9890
E-Mail: 30px@dodig.osd.mil

Tucson, AZ
Comm: (520) 620-7390
Telefax: (520) 620-7388
E-Mail: 30tc@dodig.osd.mil

Long Beach, CA
Comm: (562) 980-4242
Telefax: (562) 980-4249
E-Mail: 50es@dodig.osd.mil

Mission Viejo, CA
Comm: (949) 643-4441
Telefax: (714) 643-4769
E-Mail: 50la@dodig.osd.mil

Sacramento, CA
Comm: (916) 489-1254
Telefax: (916) 489-1462
E-Mail: 50sm@dodig.osd.mil

San Diego, CA
Comm: (619) 569-1497/98
Telefax: (619) 569-6401
E-Mail: 50sd@dodig.osd.mil

San Francisco, CA
Comm: (510) 637-2965
Telefax: (510) 637-2972
E-Mail: 50sf@dodig.osd.mil

Van Nuys, CA
Comm: (818) 781-2575/3068
Telefax: (818) 781-3277
E-Mail: 50vn@dodig.osd.mil

Denver, CO
Comm: (303) 799-8182
Telefax: (303) 799-8615
E-Mail: 30da@dodig.osd.mil

Hartford, CT
Comm: (860) 721-7751
Telefax: (860) 721-6327
E-Mail: 10hf@dodig.osd.mil

Ft. Lauderdale, FL
Comm: (954) 202-9167
Telefax: (954) 202-9217
E-Mail: 20fl@dodig.osd.mil

Jacksonville, FL
Comm: (904) 855-0991
Telefax: (904) 855-4078
E-Mail: 20jx@dodig.osd.mil

Orlando, FL
Comm: (407) 895-2622
Telefax: (407) 895-2620
E-Mail: 20or@dodig.osd.mil

Pensacola, FL
Comm: (850) 651-6377
Telefax: (850) 651-6962
E-Mail: 20pc@dodig.osd.mil

Atlanta, GA
Comm: (770) 916-9920/9926
Telefax: (770) 916-9937
E-Mail: 20at@dodig.osd.mil

Honolulu, HI
Comm: (808) 541-2590
Telefax: (808) 541-3609
E-Mail: 50hi@dodig.osd.mil

Chicago, IL
Voice: (847) 827-9480
Telefax: (847) 827-3724
E-Mail: 40ch@dodig.osd.mil

Indianapolis, IN
Voice: (317) 542-4009
Fax: (317) 542-4012
E-Mail: 40in@dodig.osd.mil

Kansas City, KS
Voice: (913) 551-1350
Telefax: (913) 551-1362
E-Mail: 40kc@dodig.osd.mil

Wichita, KS
Voice: (316) 682-1991
Telefax: (316) 682-1609
E-Mail: 40wc@dodig.osd.mil

New Orleans, LA
Comm: (504) 641-0691
Telefax: (504) 641-0838
E-Mail: 20no@dodig.osd.mil

Boston, MA
Comm: (617) 753-3044
Telefax: (617) 753-4284
E-Mail: 10bn@dodig.osd.mil

Chapel Hill, NC
Comm: (919) 929-4744/4746
Telefax: (919) 967-4325
E-Mail: 20rl@dodig.osd.mil

Baltimore, MD
Comm: (410) 529-9054
Telefax: (410) 529-9052
E-Mail: 60bt@dodig.osd.mil

<p>St. Paul, MN Voice: (651) 222-0212 Telefax: (651) 222-8316 E-Mail: 40mn@dodig.osd.mil</p> <p>St. Louis, MO Voice: (314) 539-2172 Telefax: (314) 539-2967 E-Mail: 40sl@dodig.osd.mil</p> <p>Edison, NJ Comm: (732) 819-8455 Telefax: (732) 819-9430 E-Mail: 10sp@dodig.osd.mil</p> <p>Albuquerque, NM 87109 Comm: (505)342-4800 Telefax: (505)342-4814 E-Mail: 30aq@dodig.osd.mil</p> <p>New York, NY Comm: (516) 420-4302 /4307 Telefax: (516) 420-4316 E-Mail: 10ny@dodig.osd.mil</p> <p>Syracuse, NY Comm: (315) 423-5019 Telefax: (315) 423-5099 E-Mail: 10sy@dodig.osd.mil</p> <p>Cleveland, OH Voice: (216) 522-2296/7 Telefax: (216) 522-7196 E-Mail: 40cl@dodig.osd.mil</p> <p>Columbus, OH Voice: (614) 692-3629/3855 Telefax: (614) 231-8905 E-Mail: 40co@dodig.osd.mil</p> <p>Dayton, OH Voice: (937) 534-0100 Telefax: (937) 534-0117 E-Mail: 40dy@dodig.osd.mil</p>	<p>Tulsa, OK Comm: (918) 581-6485 Telefax: (918) 581-6489 E-Mail: 30tl@dodig.osd.mil</p> <p>Philadelphia, PA Comm: (610) 595-1900 Telefax: (610) 595-1934 E-Mail: 10pa@dodig.osd.mil</p> <p>Pittsburgh, PA Comm: (412) 395-6931/6879 Telefax: (412) 395-4557 E-Mail: 10pb@dodig.osd.mil</p> <p>Sioux Falls, SD Voice: (605) 330-4211 Telefax: (605) 330-4410 E-Mail: 40sx@dodig.osd.mil</p> <p>Nashville, TN Comm: (615) 736-2930 Telefax: (615) 736-2939 E-Mail: 20nv@dodig.osd.mil</p> <p>Dallas, TX Comm: (817) 543-4350 Telefax: (817) 543-4365 E-Mail: 30da@dodig.osd.mil</p> <p>Houston, TX Comm: (713) 227-7263 Telefax: (713) 236-8487 E-Mail: 30hs@dodig.osd.mil</p> <p>San Antonio, TX Comm: (210) 366-1037 Telefax: (210) 366-4031 E-Mail: 30sa@dodig.osd.mil</p> <p>Salt Lake City, UT Comm: (801) 625-5703 Telefax: (801) 625-5711 E-Mail: 30og@dodig.osd.mil</p>	<p>Seattle, WA Comm: (206) 553-0700 Telefax: (206) 553-0057 E-Mail: 30da@dodig.osd.mil</p> <p>seArlington, VA Comm: (703) 604-8439/40 Telefax: (703) 604-8442 E-Mail: 60dc@dodig.osd.mil</p> <p>Norfolk, VA Comm: (757) 441-3412 Telefax: (757) 626-1891 E-Mail: 60nf@dodig.osd.mil</p> <p>Richmond, VA Comm: (804) 748-2055 Telefax: (804) 748-5327 E-Mail: 60rm@dodig.osd.mil</p> <p>Milwaukee, WI Voice: (414) 297-1810 Telefax: (414) 297-1817 E-Mail: 40ml@dodig.osd.mil</p> <p>Wiesbaden, Germany Comm: 011-49-611-3807526 Telefax: 011-49-611-3807421 DSN: 338-7526 Fax: 338-7421</p> <p><i>You may also call, write or e-mail the Department of Defense Hotline at Defense Hotline The Pentagon Washington, DC 20301-1900 Voice: (800) 424-9098 Voice: (703) 604-8546 E-Mail: hotline@dodig.osd.mil</i></p> 
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